Birmingham PUBLIC SCHOOLS

Tax-sheltered 403(b) and 457(b) investments

Overview

The district offers several tax-sheltered investment companies to help you maximize your long-term savings. Although you may receive a pension and/or social security income when you retire, you should evaluate your needs now to help maximize your income when you will need it most.

What is a 403(b) and 457(b)? A tax-sheltered 403(b) and 457(b) is a contract between an individual and a third party, typically an insurance company or mutual fund broker. The school district is generally not party to the contract. The district only provides a payroll deduction service on behalf of the employee. The employee agrees to pay the investment provider a series of payments through payroll deductions and the investment provider agrees to pay the employee income, starting at a later date, for a specified time period. Under current tax law, the money put into a 403(b) and/or 457(b) grows on a tax-deferred basis until the employee begins receiving his/her accumulated fund as income. That means one hundred percent of your earnings are reinvested and allowed to compound — or grow — without having to pay federal or state income taxes on earnings. 457(b) plans allow employees to contribute additional money on top of the 403(b) annual IRS limitations, which is adjusted each calendar year.

How Do Tax-Sheltered Investments Work?

Tax-sheltered investments are a simple contract. You agree to make a series of payroll deductions to a service provider in which the provider invests your contributions, based on the funds you select. In exchange, the provider agrees to pay you an income starting on a specific date. Most people begin receiving income when they retire and continue receiving it for the rest of their life. However, your contract with the annuity provider may allow for a lump sum distribution.

The money you invest in an investment account grows on a tax-deferred basis. Your investment account income is taxed as normal income when you begin receiving it. Since most people receive annuity income after they retire when they may be in a lower tax bracket, they generally pay less tax on annuity income than on income they earn while working full-time.

Is a Tax-Sheltered Investment Right for Me?

In the past, 403(b) and/or 457(b) plans were considered investments only for people nearing retirement. But today, these investments are for people of all ages. Remember, your tax-sheltered investment dollars can be invested in a variety of different investment instruments, offering everything from modest to fast capital growth alternatives. The faster growth alternatives generally come with greater investment risk. Be sure to ask questions about your investment risk. You should consider investing in tax-sheltered investments if you have already set aside enough savings for short-term or emergency needs, and you want to:

- Attempt to make your long-term savings grow faster without taxation.
- Attempt to guarantee yourself an income for the rest of your life after you retire.

You may begin to invest in the 403(b) and/or 457(b) program at any time. There are no waiting periods in which to enroll. You may increase, decrease and/or stop your payroll deductions at any time and all employees are eligible to participate. There are certain contribution limits, so you should clarify those with your service provider.

Effective January 1, 2009, Birmingham Public Schools contracted with The OMNI Group to administer Its 403(b) program. If you need to change, start or stop your 403(b) voluntary deduction, go to www.omni403b.com. Submit forms directly to OMNI, either by mail, fax, or on line. If this is a new account, you will need to open an account first before starting a payroll deduction.

Below is a listing of the authorized service providers/investment companies you may select from while employed by Birmingham Public Schools. To set up your account, contact one of their agents. One you have an account set up please submit the TSA form to HR.

If you have an account from a previous district with one of the below providers you will need to contact them to change the name of your employer.

Ameriprise Financial/RiverSource
800-297-2012

Consolidated Financial Corp. - Lincoln
800-232-2383

Corebridge Financial (formerly AIG/VALIC)
888-569-7055

Equitable (formerly AXA)
800-628-6673

Fidelity Management Trust
800-343-3548

Invesco Oppenheimer Funds
800-835-7305

MEA Financial Services (Paradigm)
800-292-1950

MetLife
800-543-2520

Concourse Financial Group (Proequities)
833-504-1774

The Legend Group, A Lincoln Investment Company
877-819-7455

Voya Financial (VRIAC)
800-584-6001

List of providers updated 4/10/2024